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Quarterly Financial Report for the Quarter Ended December 31, 2022

1. Introduction

This third quarterly financial report should be read in conjunction with the 2022-23 Main Estimates, the 2022-23 Supplementary Estimates A (nil for PCH) and 2022-23 Supplementary Estimates B along with the 2021-22 Main Estimates and Supplementary Estimates A and B. It has been prepared by management as required by section 65.1 - [Quarterly financial reports of the Financial Administration Act](#) and is in the form and manner prescribed by the Treasury Board in accordance with the special purpose financial reporting framework described in the Directive on Accounting Standards: GC 4400 Departmental Quarterly Financial Report. The report has been reviewed by the Departmental Audit Committee.

The quarterly financial report outlines the results, risks and significant changes in operations, personnel and programs and includes financial information tables for the quarter. The purpose of the quarterly financial information tables is to provide a comparison of in-year departmental spending with authorities granted by Parliament, as well as comparative financial information for the preceding year.

1.1 Authority, Mandate and Programs

The Department of Canadian Heritage and its Portfolio organizations play a vital role in the cultural, civic, and economic life of Canadians. Our policies and programs promote an environment where Canadians can experience dynamic cultural expressions, celebrate our history and heritage, and build strong communities. The Department invests in the future by supporting the arts, our official and indigenous languages and our athletes and the sport system.

Further details on the Department of Canadian Heritage's (PCH) authority, mandate and programs can be found in the [2022-23 Departmental Plan](#) and the [2022-23 Main Estimates](#).

1.2 Basis of Presentation

This third quarterly financial report has been prepared by management using an expenditure basis of accounting. The accompanying Statement of Authorities includes the Department's spending authorities granted by Parliament, and those used by the Department consistent with the Main Estimates for the 2022-23 fiscal year.

The authority of Parliament is required before money can be spent by the Government. Approvals are given in the form of annually approved limits through appropriation acts, or through legislation in the form of statutory spending authority for specific purposes.

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PCH uses the full accrual method of accounting to prepare and present its annual departmental financial statements that are part of the departmental results reporting process. However, the spending authorities voted by Parliament remain on an expenditure basis.

1.3 Canadian Heritage Financial Structure

PCH has a financial structure composed of voted budgetary authorities that include Vote 1 – Operating expenditures and Vote 5 – Grants and Contributions, and Statutory authorities which are composed of contributions to employee benefits plans, Ministers' Salary and motor car allowances and Statutory Payments for Lieutenant Governors.

2. Highlights of Fiscal Quarter and Fiscal Year-to-Date (YTD) Results

2.1 Statement of Authorities

Please refer to the Statement of Authorities at the end of the report for more information.

PCH's 2022-23 authorities available for use at the end of December 2022 increased by \$339.8 million, from \$2,028.7 million in 2021-22 to \$2,368.5 million at the end of this quarter. More specifically, the total authorities available for use increased by \$340.8 million in Vote 5 - Grants and Contributions, decreased by \$2.5 million in Vote 1 - Operating expenditures and increased by \$1.5 million in Statutory authorities.

To promote recovery from the pandemic for heritage, arts, and sport sectors that contribute so much to the cultural life of Canada, the 2020 and 2021 Fall Economic Statement and Budget 2021 allocated unprecedented investments to Canadian Heritage for a variety of programs. These range from supports to performing arts festivals and community-based cultural events, celebrations and commemorations to support for Canadian musicians, concert venues, producers, and distributors; funding for arts and heritage institutions to help upgrade their facilities to meet public health guidelines; and funding for community sports. In addition, Budget 2021 announced the \$300 million Recovery Fund to help restore immediate viability for organizations with pandemic-related financial needs and help them adapt to post-pandemic realities and \$200 million Reopening Fund to support local festivals, community cultural events, outdoor theatre performances, heritage celebrations, local museums, amateur sport events, and more, while ensuring events comply with local public health measures. Furthermore, Budget 2021 allocated investments to promote Official Languages and support Indigenous communities in their efforts to reclaim, revitalize, maintain and strengthen Indigenous languages.

These measures explain the increase in authorities.

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The following table provides details on the changes observed in authorities from 2021-22 to 2022-23 at the end of the third quarter:

Items	<i>(in millions of \$)</i>			
	Vote 1	Vote 5	Statutory	Total
Increase due to new funding and reprofile of funds for Promoting our Official Languages (Budget 2021) and increase in the funding profile for the Action plan for official languages (Budget 2018) and funding for the Modernization of the official languages Act (Budget 2021)	1.2	208.3	0.9	210.4
Increase in funding for the Indigenous Languages and Cultures Program for the purpose of preserving, promoting and revitalizing indigenous languages (Budget 2019 & Budget 2021)	0.0	70.1	0.0	70.1
New funding to support the Canada Performing Arts Worker Resilience Fund which will respond to ongoing adverse economic conditions affecting the arts and culture sector (2021 Fall Economic Fiscal Update)	1.8	60.0	0.3	62.1
New funding for equity-deserving creators through the Canada Media Fund Program (Budget 2021) and increase of the funding for the Canada Media Fund to support Canadian producers and creators (Budget 2018)	0.0	53.5	0.0	53.5
New funding to support the Viability of Canadian Creative, Cultural and Heritage Organizations (Budget 2022)	0.0	31.6	0.0	31.6
New funding to support Online Book Sales of Canadian Booksellers (Budget 2021)	0.8	15.0	0.2	16.0
New funding for Indigenous Screen Office Program (Budget 2021)	0.3	13.0	0.0	13.3
New funding to support Local and Diverse Journalism (Budget 2022)	0.5	12.5	0.1	13.1
Reprofile of funds for the Sport Support Program	0.0	5.5	0.0	5.5
Net increase in the funding to support Digital Access to Heritage and for the Royal Canadian Mounted Police Heritage Centre (Budget 2021)	0.4	4.4	0.1	4.9
Reprofile of funds for the Canada Cultural Space Fund	0.0	4.5	0.0	4.5

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New funding to support a More Inclusive Arts Training Sector (Budget 2022)	0.2	2.5	0.0	2.7
Other Adjustments	(1.3)	4.0	(1.4)	1.3
Sunset of 2021-22 funding to support arts and live events workers in response to the pandemic (COVID-19) (Fall Economic Statement - 2020)	(1.3)	(63.3)	(0.2)	(64.8)
Decrease in funding for Canada's Artists & Live Music Sector and Canada as Guest of Honour at the 2021 Frankfurt Book Fair (Budget 2021)	(6.8)	(40.4)	0.0	(47.2)
Net overall decrease for the funding for Arts, Culture, Heritage and Sport Recovery Fund and Reopening Fund for Events and In-person Experiences (Budget 2021)	2.9	(20.7)	1.7	(16.1)
Sunset of time-limited funding to Support gender parity in the Canadian Sports System (Budget 2018)	(0.9)	(9.1)	(0.1)	(10.1)
Decrease in funding for the Youth Employment and Skills Strategy (Fall Economic Statement - 2020 and Budget 2021)	(0.3)	(9.0)	(0.1)	(9.4)
Decrease in Reprofile of funds for the Hosting Program	0.0	(1.6)	0.0	(1.6)
Grand Total	(2.5)	340.8	1.5	339.8

2.2 Departmental Budgetary Expenditures by Standard Object

Please refer to the Departmental budgetary expenditures by Standard Object table at the end of report for more information.

Total expenditures during the third quarter of 2022-23 increased by \$129.3 million from \$460.3 million in 2021-22 to \$589.6 million this quarter.

- This increase is mainly explained with transfer payments which increased by \$129.6 million, from \$395.2 million in 2021-22 to \$524.8 million in 2022-23, representing an overall increase of 33%. Here are some important variances by transfer payment program to note:

Increases in the following transfer payment programs:

- \$67.7 million – Canada Media Fund – the overall increase in expenditures is due to the timing of payments which were made later in the third quarter of 2022-23 compared to the same quarter in 2021-22. The increase is partially offset by the

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- end of funding announced in Budget 2021 and received in 2021-22 to support the Recovery of Cultural, Heritage and Sports Organizations affected by COVID-19;
- \$29.8 million – Indigenous Languages and Cultures Program – the increase in expenditures is explained by new funding received from Budget 2021 starting in 2021-22 for the Indigenous communities to reclaim, revitalize, maintain, and strengthen Indigenous languages and by funding received from Budget 2019 to preserve, promote and revitalize Indigenous languages. In both cases, the funding level increased between 2021-22 and 2022-23;
 - \$21.6 million – Canada Performing Arts Workers Resilience Fund – the Canada Performing Arts Workers Resilience Fund is a new temporary one-year program launched in February 2022 with funding for 2022-23 to respond to ongoing adverse economic conditions affecting the arts and culture sector, specifically the live performance sector, by providing support to individual cultural workers and averting a loss of skilled workers from the sector;
 - \$13.7 million – Development of Official Languages Communities Program and Enhancement of Official Languages Program – the overall increase in expenditures is due to the timing of payments;
 - \$11.9 million – Hosting Program – the increase in expenditures is explained by new funding announced in Budget 2021 and received in 2022-23 to support the Recovery of Cultural, Heritage and Sports Organizations affected by COVID-19. The increase is also explained by the Canada Winter Games taking place every second year and happening in 2023 in Prince-Edward Island; and
 - \$7.9 million – Museum Assistance Program – the overall increase in expenditures in this quarter is explained by new funding announced in Budget 2022 to support the Viability of Canadian Creative, Cultural and Heritage Organizations with the new Canada Arts and Culture Recovery Program (CACRP) initiative which will be delivered through existing Canadian Heritage programs, namely the Museum Assistance Program. This increase is partially offset by a decrease in new funding announced in Budget 2021 and received in 2021-22 to support the Reopening of Cultural, Heritage and Sport Organizations affected by COVID-19 and the timing of payments of other initiatives within the program.

Partially offset by decreases in the following transfer payment programs:

- \$16.0 million – Canada Music Fund – the overall decrease is explained by a one-year funding received in 2021-22 from the 2020 Fall Economic Statement for the “Supporting Arts and Live Events Workers in Response to COVID-19” initiative partially offset by an increase in payments for new funding announced in Budget 2022 to support the Viability of Canadian Creative, Cultural and Heritage Organizations with the new Canada Arts and Culture Recovery Program (CACRP) initiative which will be delivered through existing programs, namely the Canada Music Fund; and

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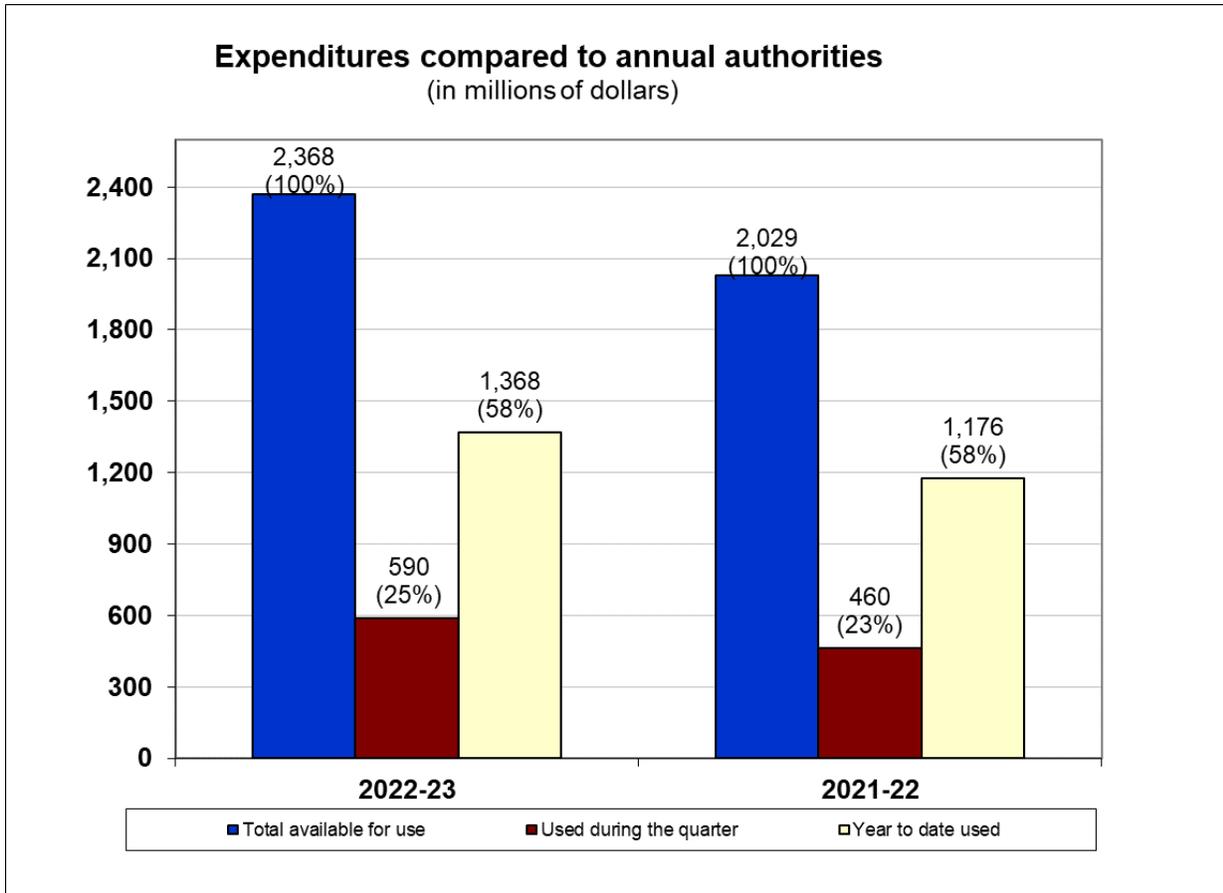
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- \$8.0 million – Indigenous Screen Office – the decrease in expenditures in this quarter is due to the timing of payments.
- The remaining variance of (\$0.3 million) is explained by the standard object below:
 - Professional and special services: the \$3.0 million decrease (from \$11.0 million in the third quarter of 2021-22 to \$8.0 million in the third quarter of 2022-23) is explained by last year's Canada participation as the Guest of Honour at the 2021 Book Fair in Frankfurt and the timing of payments;
 - Information: the \$1.1 million decrease (from \$1.4 million in the third quarter of 2021-22 to \$0.3 million in the third quarter of 2022-23) is explained by last year Canada's participation as the Guest of Honour at the 2021 Book Fair in Frankfurt and also by the timing of payments;
 - Acquisition of machinery and equipment: the \$0.6 million decrease (from \$0.9 million in the third quarter of 2021-22 to \$0.3 million in the third quarter of 2022-23) is explained by less expenditure for financial system support and by a one-time purchase in 2021-22 of a computer numerical control laser cutting machine by the Canadian Conservation Institute for use in its professional conservation treatment and preventive conservation services;
 - Personnel: the \$4.1 million increase (from \$52.3 million in the third quarter of 2021-22 to \$56.4 million in the third quarter of 2022-23) is mainly explained by an increase in the number of employees needed to support the implementation of initiatives resulting from new funding received from Budget 2021 and 2022;
 - Other Subsidies and payments: the \$1.1 million increase (nil in the third quarter of 2021-22 to \$1.1 million in the third quarter of 2022-23) is explained by the timing of the clearing process of the interdepartmental settlement transactions;
 - Transportation and communications: the \$0.3 million increase (from \$0.6 million in the third quarter of 2021-22 to \$0.9 million in the third quarter of 2022-23) is mainly explained by the return to a normal course of activities after travel was suspended in 2021-22 and COVID-19 restrictions were lifted in 2022-23; and
 - Revenue credited to the Vote: the \$1.1 million increase in revenues (from \$2.9 million in the third quarter of 2021-22 to \$4.0 million in the third quarter of 2022-23) contributes to the reduction in expenditures.

As noted in the table below, PCH has spent 25% of its authorities in the third quarter of 2022-23, compared to 23% in the third quarter of 2021-22.

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3. Risks and Uncertainties

There is a risk that with increased expectations and an increasingly mobile workforce, the department may not be agile enough to effectively support initiatives and projects as they arise, to provide effective service delivery, and to deliver on key priorities. To mitigate this risk, the department will need to focus and prioritize on essential projects and services that need to be delivered.

PCH has implemented necessary measures to support the health of its employees and to ensure their well-being in addition to efficient internal operations. PCH is contributing to public service-wide efforts and work to maintain the quality of federal government services.

4. Significant Changes in Relation to Operations, Personnel and Programs

Since last quarter, there were no changes to Canadian Heritage's senior management personnel.

5. Approval by Senior Officials

Approved by:

Isabelle Mondou, Deputy Minister

Éric Doiron, Chief Financial Officer

Gatineau, Canada
Date: February 24, 2023

Gatineau, Canada
Date: February 20, 2023

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Statement of Authorities (unaudited)

Fiscal year 2022-23 and 2021-22 (in thousands of dollars)

	Total available for use for the year ending March 31, 2023*	Used during the quarter ended December 31, 2022	Year to date used at quarter-end 2022-23	Total available for use for the year ending March 31, 2022, *	Used during the quarter ended December 31, 2021	Year to date used at quarter-end 2021-22
Vote 1 - Operating expenditures	245,131	57,132	172,926	247,679	58,221	165,094
Vote 5 - Grants and contributions	2,092,246	524,534	1,171,007	1,751,477	395,205	990,353
Statutory - Contributions to employee benefit plans	28,862	7,189	21,567	27,398	6,424	19,272
Statutory - Minister of Canadian Heritage - Salary and motor car allowance	93	23	70	91	15	62
Statutory - Minister of State (Minister of Sport and Minister responsible for the Economic Development Agency of Canada for the Regions of Quebec) - Motor car allowance	93	23	69	0	0	0
Statutory - Minister of State (Minister of Official Languages and Minister responsible for the Atlantic Canada Opportunities Agency) - Motor car allowance	0	-1	0	0	0	0
Statutory - Minister of State (Minister of Diversity and Inclusion and Youth) - Motor car allowance	0	0	0	2	0	0
Statutory - Salaries of the Lieutenant Governors	1,196	389	1,247	1,196	404	1,212
Statutory - Payments under the <i>Lieutenant Governors Superannuation Act</i> (R.S.C., 1985, c. L-8)	637	238	561	637	0	0
Statutory - Supplementary Retirement Benefits - Former Lieutenant Governors	182	49	118	182	0	0
Spending of Crown Asset Proceeds	29	1	1	58	0	0
Total Budgetary authorities	2,368,469	589,577	1,367,566	2,028,720	460,269	1,175,993
Total authorities	2,368,469	589,577	1,367,566	2,028,720	460,269	1,175,993

* Includes only Authorities available for use and granted by Parliament at quarter-end.

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Departmental budgetary expenditures by Standard Object (unaudited)

Fiscal year 2022-23 and 2021-22 (in thousands of dollars)

	Total available for use for the year ending March 31, 2023 *	Used during the quarter ended December 31, 2022	Year to date used at quarter-end 2022-23	Total available for use for the year ending March 31, 2022 *	Used during the quarter ended December 31, 2021	Year to date used at quarter-end 2021-22
Expenditures						
Personnel	234,990	56,449	167,866	222,397	52,292	156,060
Transportation and communications	862	885	2,425	2,512	575	791
Information	2,997	341	1,688	2,753	1,455	2,270
Professional and special services	32,035	7,976	22,575	40,957	11,018	24,549
Rentals	3,295	980	4,358	4,338	761	3,179
Repair and maintenance	1,448	282	575	1,316	543	902
Utilities, materials, and supplies	2,378	426	1,108	3,090	306	876
Acquisition of machinery and equipment	5,199	331	561	6,511	944	1,239
Transfer payments	2,093,065	524,821	1,171,686	1,752,296	395,205	990,353
Other subsidies and payments	943	1,111	2,476	1,208	47	1,559
Total gross budgetary expenditures	2,377,212	593,602	1,375,318	2,037,378	463,146	1,181,778
Revenue credited to the Vote	-8,743	-4,025	-7,752	-8,658	-2,877	-5,785
Total Revenues netted against expenditures:	-8,743	-4,025	-7,752	-8,658	-2,877	-5,785
Total net budgetary expenditures	2,368,469	589,577	1,367,566	2,028,720	460,269	1,175,993

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** Includes only Authorities available for use and granted by Parliament at quarter-end.*